IMI plc

Interim Management Statement

Thursday, 9th November 2023

Introduction

Roy Twite

CEO, IMI plc

Welcome

Good morning, everybody. Thank you for taking the time to join us today. I am joined here, as usual, by Dan, our Finance Director.

Delivering sustainable, profitable growth

I'm just take a moment to summarise a few key points from our IMS, and then we will take your questions.

I'd like to begin by thanking all our employees, all around the world for their dedication to delivering our purpose-led strategy, Breakthrough Engineering for a better world. We continue to develop great solutions that help our customers become safer, more sustainable and more productive.

It has been another good performance in the third performance, with Group revenue up 5% versus the third quarter of last year and up 3% on an organic basis. Margins also improved as we further reduced complexity, expanded the Aftermarket opportunity in Automation and delivered further growth in our attractive end markets.

Now, as previously announced, we adopted a sector focused structure in July and reporting is now aligned across two platforms. The new structure has been really well received and we are already feeling the benefits of being even closer to our customers.

Process Automation had another excellent quarter, with strong order intake and continued organic growth. Orders were up 15% organically, with a 24% increase in Aftermarket. Revenue increased 8% in the quarter on an organic basis.

Industrial Automation delivered another resilient performance, despite some uncertain markets. Organic revenue was 1% higher than the same period last year. We see good demand for solutions that automate processes in a competitive labour market and have benefited from continued investments in reshoring.

Climate Control revenue was flat on an organic basis. Whilst we have felt the impact of recent trends in the European construction markets, underlying demand for our energy efficiency solutions remains solid.

Life Science & Fluid Control organic revenues were 13% lower than the same period last year. As expected, we did see customer destocking and reduced demand in the period, and we expect this to continue into the fourth quarter. The long-term fundamentals of the sector are strong, and we remain excited about the opportunities for growth.

Transport saw organic revenue 20% higher than the same period last year.

Finally, before we move to Q&A, a comment on guidance. Based on current market conditions, we are upgrading 2023 full year adjusted EPS guidance to a range of 114p to 118p.

With that, I'm going to hand back to the operator who will manage the Q&A session for us.
Thank you.

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Q&A

Lushanthan Mahendrarajah (JP Morgan): Hi, morning guys, thanks for taking my questions. The first is on Industrial Automation which has clearly been more resilient than we anticipated, how much of that is the onshoring and the labour point? How much is the backlog still supporting that? If you could perhaps give us some more colour on what orders have been doing in the last couple of weeks.

Roy Twite: Yes, thanks Lush, good morning to you as well. As I said on the last call, Industrial Automation orders have been slightly below last year for a while now. Clearly we have been selling a bit out of the order book and that supported Q3. Our Q4 guidance does include IA being slightly down in sales. The reduction in industrial activity that you can all see in the macro indicators clearly is having an effect but compared to previous industrial recessions, automation I would say is holding up much, much stronger, particularly Industrial Automation, than I would have seen in my 30+ years with IMI.

So yes, there is a definite trend towards automation and Lush talking to customers but also our sales, we are heavily focused on more automation within our own factories. Automation is more cost effective than it has ever been, and the paybacks are shorter than I can remember. There is definitely that good positive underlying trend in the industry to automate more.

Lushanthan Mahendrarajah: Okay, thank you. Then the second question is just on Transport. Obviously a very, very strong number. I guess the comps, particularly in China, were perhaps a bit easier but in terms of how we think about that going into Q4 and perhaps next year as well given I guess North America might be a bit tougher, etc.

Roy Twite: Yes, that is right Lush. Great job by Beth and the team. I was in our biggest plant on the Transport side down in Mexico a couple of weeks ago and you can imagine it is not easy to ramp up production at that sort of rate, 20%+. As you said, real strength and China was a very weak comp last year, you are absolutely right. India though has been growing pretty consistently and overall, 20% is a good response from the team. I am pleased with that.

As you say, there is a lot of catch up in that system right? We don’t expect ongoing 20% Transport volume increase. And yes, next year could be a bit tough, but clearly we haven’t done our budgets yet, we’ll do that over the next couple of weeks so we will get into detail on the trends but yes, there has been an element of catchup in this year. Obviously our customers have now got components that they couldn’t get so they are running their production lines probably a bit quicker. I think you are absolutely right Lush.

Lushanthan Mahendrarajah: Okay. Thank you and just a last one from me on pricing. Have you done any price increases since H1, and I guess any sort of early thoughts on what may need to be done or not for next year?

Roy Twite: Yes, so Lush - immaterial price increases since the main price increases we did at the beginning of the year. In normal times we try and make sure we do that, one so that customers are clear for their budgets and what they are going to be spending. So immaterial what we have done since the beginning of the year on pricing. We did get good pricing again this year. We needed it to be frank because inflation particularly on the labour side has stayed high. Energy costs have stayed pretty high. We are very comfortable, as we have said.

Margins will expand again this year if you look at our guidance. As you know, margins have come up from 14% a few years ago and we were probably close to 100 basis points up again this year if you back work the guidance. So we have got good pricing power, and we are really pleased with that.

As we go into next year the issue again will be labour. We are doing well in terms of labour retention globally and I think that is really important. There is a huge cost in training people of all levels actually and making sure we have got the best skills to grow for the future. So again, labour will be an issue as we go into next year in terms of labour inflation, but we think we are well placed to cover that with our strong pricing power Lush. So yeah, we feel pretty good about where we are in the whole labour and inflation equation. We think we are in a good place.

Lushanthan Mahendrarajah: Okay, brilliant, thank you very much for answering my questions. Thank you.

Roy Twite: Thanks Lush.

George Featherstone (Bank of America Merrill Lynch): Morning everyone, thanks for taking the questions. The first one would just be on the Industrial Automation business. I appreciate there are some encouraging underlying trends that are happening there that obviously have changed maybe the dynamic of the business relative to PMIs, etc this year. I wondered what the pipeline is really related to US reshoring that you have mentioned, and have you also managed to gain some share in the US in IA? That will be the first question.

Roy Twite: Yes, interesting George that. It is a good point. Our strongest sales growth is actually in Asia and the team down there are doing a cracking job George. I would say that in what we consider our total available market in the way that we compete, they are doing a very good job in Asia because China has not been easy as you know, and that is half of our IA business in Asia, something like that. It is pretty impressive the way the Asia team are competing.

But if you come back to the US obviously you know we acquired Bimba a few years ago. Bimba is a very, very strong brand in actuation in the US. I went through this at the Capital Markets Day George, but the way that they compete and particularly on the specials side, the made-to-request side of the business is very, very impressive. They are very flexible and that plays against the competition’s business model. It is a really good business model and we have been getting better and better at it. Again, I was in our Rockford plant which is a big part of that manufacturing in North America. It is probably four weeks ago now, time flies, doesn’t it? However, I was very impressed. They are really reducing lead times and the whole speed of response to customers is incredibly impressive coming out of that plant. We might be nibbling some market share in the US. We will see as we go forward. Certainly we are holding our own and I am really pleased with that.

And then Europe is tough for IA because Germany in particular the industrial scene is tough. But again, generally, our customer response is pretty good.

I think overall the IA team are doing well and actually because we have now combined the resources with Process Automation and because I have been travelling the world with Jackie going round and visiting all the businesses, as you know I have spent more than half my career in that business, just making sure that we are getting up to speed as fast as possible, I am so, so excited about the combination of those businesses and what Jackie's plans are for them. Again, they will take time to come through but if you see what has happened in Process Automation, particularly on the Aftermarket side where we have combined real deep intimate knowledge of the market, some pretty good IT systems in terms of data and the way we are using data, but then the Growth Hub innovation as well, I am super excited about the combination of those automation resources over the next few years George.

In terms of IA, I think I have said expect the fourth quarter to be slightly down. What we look for is what everybody looks for which is a bit of an inflection in the PMIs hopefully at some point next year and then following that we should get pretty decent drop-through in that area.

George Featherstone: Okay, thank you very much for that. Then Process Automation clearly very strong still. I just wonder whether you could talk through the pipeline ahead and do you think that with the orders momentum you are going to get in Q3 you can reach £1 billion of orders for the full year?

Roy Twite: I think £950 million is the right sort of number. That would be amazing in itself. You never know George because, as you know, it is a lumpy business. You never know and Jackie and the Process Automation team have just been phenomenal, I have to say. We have got great commercial people, they are working really hard.

What I am sure about is we are very competitive on New Construction, we really are. If the projects are out there and the timing comes, because there is always a bit of debate on when the timing is going to fall, you never know George. However, I would say £950 million is a more sensible number for this year and with £950 million the book-to-bill will be something like 1.2. That is why we are confident that next year all things being equal we will be delivering double-digit sales growth in Process Automation, which is tremendously exciting to be in that position right now.

George Featherstone: Okay, very good to hear. Then just maybe one for Dan on free cash flow. I just wondered where you are tracking towards that move to £300 million of free cash flow that you have talked about in the past.

Daniel Shook (Group Finance Director, IMI plc): Yes, thanks George. Well on track, I think we are building to that point. We still have some cash outflows for the restructuring that will continue for the next few years. I think that will hold us below the £300 million that I talked about in July, but we are certainly chipping away at the working capital as well. The supply chains still need managing so we are making sure we are continuing to focus on supporting the customers. I think that also helps us in the IA space, Roy, as well. We track net promoter scores. We really want to make sure that all of our businesses are getting the positive feedback from the customers on on-time delivery, etc.

So all in, yeah, we won't be there this year and we will have to watch it next year, we still have some cash outflows on restructuring as well. But certainly the 90% cash conversion feels pretty good for 2023.

Roy Twite: It feels good for 2023.

Daniel Shook: Yes, exactly.

George Featherstone: Okay, alright. Thank you very much.

Roy Twite: Thanks George.

Daniel Shook: Thanks George.

Christian Hinderaker (Goldman Sachs): Good morning, Roy, Daniel, thanks for the update this morning. You talked about channel destocking within Life Sciences, I wonder if you could give us a sense of your views and broader visibility over inventory levels within both Climate Control and IA.

Roy Twite: Within Climate Control and IA Christian? Or within Life Sciences?

Christian Hinderaker: No, no, putting Life Sciences to one side, what is the view on inventory levels at customers and distributors within Climate Control and IA?

Roy Twite: Oh I see, okay, thanks Christian, sorry I just want to be absolutely clear.

So within IA, typically the order book is about two or three months is our visibility. We use leading indicators, as I think you know Christian, as well beyond that. As I referred to the PMI tends to give us a reasonable guide although we seem to be doing better than that would indicate on this occasion. But, I would still think as PMIs lift typically there is a 3-6-month lag between that and industrial production improving and therefore IA improving. In terms of order book, as I have said, 2-3 months. We think by the time we get to our 1st March results next year that we will have pretty good visibility on the first half for IA and a guide for the full year which is obviously why we will put out some guidance overall.

On Climate Control, it is less than that because obviously a lot of that business is actually sold through wholesalers. We drive end market demand, you know specification, we help with the design of the HVAC systems, but ultimately we sell through wholesalers. Typically there you are talking about two or three weeks' worth of order book so pretty short. Again what we use is all sorts of construction indicators to try and understand where that business is going. What is very important in that business? I think, a couple of things. One is the energy saving which is high on a lot of customers' agendas. Two is the majority of that business at the moment is obviously into refurbishment, which is why it is so nice and resilient. I have said this I think Christian to you, certainly reasonably often, even in 2009 when the industrial world was coming off 8-10%, that business, which was called Hydronics, came off something like 3-4%. It is very resilient because of that energy saving and the refurbishment part of the market.

Daniel Shook: Yes, and we did obviously have some stock level movements in that business late last year and into this year. We are not expecting any major movements. We think the stock levels are pretty normalised now. We are not seeing any indications of build-ups or drop-offs. You can't be 100% certain but based on the sell-out data we think we shouldn't see any major movements in the wholesaler stock position.

Roy Twite: Does that answer your question, Christian?

Christian Hinderaker: It does indeed, thanks Roy and Dan. Maybe secondly turning to your own working capital. I guess quite significant growth in some of the parts of the business where components are more made-to-order versus on shelf. I wonder how we should think in that context about the dynamics for inventories but also receivables for the coming quarters.

Roy Twite: Yes, I'll let Dan answer this, but I think overall cash flow is going to be strong this year. In overall terms despite pretty high levels of capital spend, investment for the future, cash flow is going to be strong.

Daniel Shook: Yes, it is a good point. We will spend a bit more than depreciation on capex again making sure that our factories have the best equipment and can deliver timely and quality all the way through, so we are still making those investments.

Yes Roy you are right, the growth that we are seeing, I'd expect our receivable days to not change too much, I think we are in a good position there. And then on the stock levels for the business I have got to pull Process Automation out to one side, the rest of the business we are chipping away at those inventory days and bringing them back down to that pre-covid level. We are not 100% there but we are bringing them down.

Process Automation the inventory really is a function of the order book and obviously you see the order book is up and so we will need some inventory investment, that's all the valves that are working through the system for the New Construction mostly. Overall it's going to mean there will be some investment on the inventory side to support the growth, both in the Process Automation order book, but also the growth across the rest of the business.

Christian Hinderaker: Very good, thank you both.

Roy Twite: Perfect.

Daniel Shook: Perfect. Thanks Christian.

Aurelio Calderon Tejedor (Morgan Stanley): Hi good morning, Roy, Dan, thanks for taking my questions. The first one is around the new organisational structure, and you have talked about some early benefits. I wonder if you could talk a bit more about what you are seeing in terms of those early synergies. Also on the same topic if you can talk about any M&A opportunities that you think could arise in the short/medium term for this new organisational structure.

Roy Twite: Yes, I will talk a little bit about the M&A pipeline and then come on to the structure. The M&A pipeline it is pretty good. As you know, we have done four acquisitions in the last 18 months, two years, something like that Aurelio. We have tended to acquire into…

Smart building space was the last one with Heatmiser, that is going well, it is well on plan this year. Really pleased with that actually and again Phil did a cracking job with this. For Climate Control I think this year will now be at 25% of our sales in the connected space which when you consider just a few years ago that was 18%. Before that, as you know, it was very mechanical. I am really pleased with the evolution because that is obviously the fastest growing part of the market, and it is a very profitable part of the market as well Aurelio.

So yeah, we have a good M&A pipeline, recent acquisitions are doing well, so I think we are in good shape on M&A. We are seeing opportunities and we are actually, between the teams, actually rejecting quite a lot of opportunities as well. So there is plenty going on, we only want quality assets with those great long term growth prospects, in growth markets, where us plus them really equals a lot more than the sum of the parts. That is clearly the case with what we have bought, and it needs to be the case with what we are going to buy. We will continue to maintain that high bar of selection, but the pipeline is in pretty good shape, I would say.

On the structure, obviously it is early days, but as I said travelling the world and just watching how the teams are working together, how they are starting to come up with ideas, and it's primarily around growth. As I said when we launched the structure Aurelio, growth is the thing. How do we use that core automation technology, valves, actuators, controls, the system level approach that we are applying in areas like hydrogen? How do we make sure that we take that capability and use it across all of the fastest growing sectors for the future? That is where the teams are really focused.

Of course, there is also more sharing of talent already happening which is great. We want to get our very best people in front of our very biggest opportunities. It has evolved Aurelio over the last four years, five years. Really concentrated on one IMI and just saying as a company, and that is why the divisions have gone. There aren't going to be that sort of level of division within the company. It is much more about one IMI, getting our best people in front of those big opportunities. That is what I am excited about, the best use of our tech and our products and our people to really make sure that we grow as fast as we possibly can.

Aurelio Calderon Tejedor: That is very helpful, thank you. If I can squeeze in one more, you have talked about very good order momentum in Process Automation, whether it is billing or not, but obviously very, very sound development. I wonder if you can talk about obviously with your visibility into 2024 for the business if you can talk about how you see margins are looking in that order intake or in that order book.

Roy Twite: Yes, so margins are roughly at the same level as they were at this point last year. I am talking about in terms of gross margins in the order book obviously Aurelio, which is pretty good. We are making sure that we are increasing our installed base for the future obviously because as we do that we want to win in New Construction so we are doing that because as you know we get this beautiful annuity of parts for a very long time because of the severe nature of the processes that Process Automation deals with, it is very sticky so that is good.

We are also investing heavily in the business and, as I said to Jackie at a recent review, I haven't seen so many growth opportunities, initiatives in Process Automation in all the time I have been involved in it. I have got to be honest with you. It is in new and exciting places and the whole way that the Growth Hub concepts are working in that segment is really exciting. There will be investment in that business, of course we will expect to make bottom line margin progress next year in that segment and across IMI. Remember that we have got more benefits, we have got another £13 million of benefits coming through from our programme which is decomplexifying the overall business and a big chunk of that is in that overall Automation platform.

Daniel Shook: Of course it is always important to remember even with a really good New Construction backdrop the New Construction margins that we get are certainly accretive to the overall margins of that part of the business. It is not like we are taking those at lower, lower gross margins. Typically the New Construction business comes through at around 25% gross margin. It still supports us getting up to that 20% as we go.

Aurelio Calderon Tejedor: That is very clear, thank you very much both.

Roy Twite: Good.

Daniel Shook: Brilliant.

Roy Twite: Thanks Aurelio.

Daniel Shook: Thanks.

Mark Davies Jones (Stifel): Thank you very much. Can I ask you the question that you thought you were asked earlier but weren't on the Life Sciences side? Obviously you have indicated you think destocking continues through Q4. That has been going on for a long time now. What is your feeling on end demand and when we might see that coming to some sort of conclusion? Is it all just Covid unwind or is there something else going on?

Roy Twite: Yes, Mark I think we have spent a lot of time looking at this. As you know, we talk to customers about it and, as we said in our press release, it is stock unwind throughout the whole supply chain plus market demand. You have probably read the commentary like I have as well Mark in terms of the deep analysis that has been done. Clearly China, which varies by customer, is between 10% and 25% of their business and clearly market demand has been lower there.

If you think about it Mark, a big chunk of this obviously is money spent by the health insurance companies or by governments ultimately depending on which geography you are in. I think that there has been a huge spend during Covid and if you take it on a 10-year view and there are plenty of examples of companies that put graphs out there, then there is a heavily normalising period. Definitely we have said we are not expecting any miracles in Q4, that's for sure right? It's going to stay at similar levels to Q3 and that is where we think we are.

Again Mark as we start to think about next year, we are not thinking about heroics for next year either. In our normal way we are not going to suddenly say 'well the second half is going to get a huge amount better', that is our base case. Yes, of course it will improve but we are not going to expect heroics next year. I do think that the criticality of what these analytical instruments do is incredibly important, and I do agree with all the other commentary out there that after decades of strong demand we will return to that at some point. It is very hard to get clarity on what that point is to be honest with you Mark. In our normal way we will play that reasonably safe as we go into next year.

Daniel Shook: Certainly the activity of our engineers, the folks who are working closely with those customers has not really slowed down. The next platforms continue to be developed and the things that they are working on to make these machines do even more to diagnose what is going wrong with all of us is incredible. That just gives us the confidence that this has still got a lot of legs. We have just got to get through this period.

Roy Twite: Yes, we took the whole Board out to our biggest Life Science facility in the US Mark. Was that three weeks ago, Dan?

Daniel Shook: Yes.

Roy Twite: In between all the other travels. However, Dan's point is fundamental. What we are doing to integrate more product into a system level design and how we are moving that for the future Mark is incredibly exciting. As the new platforms come out for the OEMs, we will expect to get a greater share of wallet and that's what is exciting for us. We just keep incrementally notching up market share in what we think is still a very good long term market space.

Mark Davies Jones: Great, that makes a lot of sense. Can I just ask more broadly on regional because I don't think we have had that conversation yet? In the trends you are seeing obviously China is tough, US still pretty resilient across all your businesses and Europe softer. Is that the picture or is there any change to that?

Roy Twite: Yes, I think that is a pretty good summary of where we are overall. Yes, I think we have seen growth across US, Germany and everywhere outside of China. China is slightly down Mark across the business.

Mark Davies Jones: Yes.

Roy Twite: For us China is not as bad as for a lot of people because the Energy part is okay because they are building more LNG receiving terminals, things like that. Again Jackie and the team have got high win rates there. However, it is still down a bit, yes you are right.

Mark Davies Jones: Thank you, that is very helpful.

Daniel Shook: Thanks.

Roy Twite: Thanks Mark.

Jonathan Hurn (Barclays): Hey guys, good morning. I just had a few questions if I can. The first one coming back to price but just focusing on Q3. Can you break out the volume and price within Industrial Automation and also Climate Control please? That is the first one.

Roy Twite: Yes Jonathan, thanks for that. Thanks for breaking up your questions as well. We have got customer sensitivities, so we have got to be super careful with the amount of information we give out. Let me just say this. Overall Q3, price was still strong which meant that for the whole of IMI volume was just very, very slightly down. That obviously was Life Sciences which dragged the volumes down, that was by far the biggest impact on that. I would say that pricing is stronger in IA and less strong in Process Automation. Just to give you a feel for how that shapes out, I think that is probably the best I can give you.

Jonathan Hurn: Okay and just the dynamics in Climate Control in terms of that, is there anything you can say on that?

Roy Twite: Yes, I think Climate has done really well. Beth, Phil really good job and I look at all the peers obviously. It's only a guide Jonathan, but you look at the peers, you look at their similar sectors and I think we are outperforming. I think that is down to what they have done in terms of customer service, brand, driving in user demand and specification has been really strong. Climate, actually pricing was less than it has been in Q3. That is partly because on the project side of the business again they have been driving a high win rate. Overall pricing is still very positive, but it is around the Group average. It is not above the Group average. It is probably slightly less than the Group average actually in Q3 because they have been very sensibly pricing the different segments of the business. Overall though margins in that area improving nicely Jonathan.

Jonathan Hurn: Okay, very clear, thank you. The second one was on IA. I wonder if you could break down what you are seeing there between original equipment and Aftermarket. Are you seeing more resilience coming through on the Aftermarket side?

Roy Twite: Yes. Yes, definitely. It is a typical situation Jonathan where Aftermarket stays pretty resilient. The only time I can remember the Aftermarket really being hit and I have probably seen three, four recessions in the time, it was 2009. That was literally where people were closing down a proportion of their production lines. As long as they are going to run their production lines, they need the spare parts. Yes, I would say that is exactly what is happening.

Jonathan Hurn: Okay, fine, thank you. The final was on Process. Can you break out that Aftermarket growth and maybe how much of that was upgrades and how much was parts? Also looking into 2024, obviously you have got that order book. How are we for capacity there? Are there any constraints? I suppose linked to that as we go into 2024 and that volume comes through, that overhead recovery in those businesses really start to tick up. So from a leverage perspective it could be quite interesting for 2024. Is that fair to assume?

Roy Twite: So, let's start with the Aftermarket split Q3. It's upgrades that were the strongest. They were over 40% up in Q3. You have got to be careful with quarters even on Aftermarket in Process. Again, that is bang in line with the strategy that Jackie and the team presented at our Capital Markets Event which must be two or three years ago now. Where they are going in, they are helping customers that have problems with vibration or with noise or with reliability and replacing either the whole valve or part of the valve using some of the tech that we brought through from Growth Hub. That upgrade valve business then means that once you have got your valve in place it's very, very sticky in terms of the parts flow from then on and that is why it is really, really important. Jackie has been replacing mainly our old installed valves still but increasingly competitors' valves as well. That is really good for the future of that business because, as you know, the Aftermarket the gross margins are 2.5x what they are in New Construction. There is still a huge opportunity for us, as you know, in that installed base. That is the strongest part.

The second-biggest part was parts. That was double-digit increase. Field service was flatter in the quarter but has done pretty well year-to-date. In terms of margin the most profitable bit is parts, second is upgrades and then field service is lower. It was very good in terms of the way that business is driving Aftermarket upgrade business.

Then on your second question 2024, as I said, we are expecting double-digit sales increase in Process Automation next year. Clearly, as I said, book-to-bill probably at the end of the year around 1.2 Jonathan but remember we have called out some nuclear orders, some marine orders that are multiyear, so we are not going to suddenly drive sales up 20% next year. We have got the Aftermarket part that we need to take into account, but double-digit we are comfortable with for next year in terms of sales increase. That order book is good as you run though into 2025. It will all help us for the future. Yes, that is where the order book is.

Jonathan Hurn: Just in terms of potential obstacles to delivering on it, there are no obvious constraints to delivering on that order book?

Roy Twite: Again, an absolutely phenomenal job and we notice some of our competitors' lead times going out in the industry. However, we have held ours and that is down to phenomenal work from Jackie but also the whole team as I go round the factories it is phenomenal really what they are doing. Our own factories but also the supply chain. Again, we spent a lot of time reducing the number of suppliers in Process Automation. We used to have about 3,000, just round numbers, direct suppliers. We have now got 1,000 so that is much better in terms of us being further up their agenda but at the same time Jonathan we took the number of single source suppliers from 60 to about six. Again we have got options, and we really look for making sure that we can keep the lead times down on our supply components and also that we can process it really quickly. Phenomenal job done so far and in most of our bigger factories we are still not working three shifts everywhere. We are on some of the bottlenecks but generally across the piece we have got capacity still to deploy.

Jonathan Hurn: Great, thank you guys, that is very helpful.

Roy Twite: Brilliant, thanks Jonathan.

Daniel Shook: Thanks.

Andrew Douglas (Jefferies): Hi guys, all of my questions have been answered. I do have one follow-up though on the Life Sciences side. Please tell me, who are your largest customers in Life Sciences? Is it the government agencies and insurance companies or is it the life sciences OEMs like Merck and those type of people?

Roy Twite: Obviously we will not quote names but good hear from you Andy by the way. Obviously, I will not quote customer names, but our actual customers are the OEMs. They are the people that are building the mass spec units, and you know who they are Andy. That is our actual customers but obviously where demand is coming from ultimately is often labs. It is fundamentally often government money eventually in some jurisdictions. Not so much in the US where the business is strong but then ultimately still those end customers have got to make the investments for the OEMs to get the pull-through. That is the only point I was trying to make probably a bit clumsily Andy.

Andrew Douglas: No, no, I understand. On the next platform comment that Dan made, I am working on the assumption that everyone has got all the ventilators they need. Is this next generation ventilators or is it the next way to look after people during a pandemic?

Roy Twite: Sorry, I was not talking about the ventilator side. I was just about to say I think ventilator technology is quite mature and then I remembered that that is a very foolish statement to make Andy because everything can evolve. However, what I am saying is not on the ventilator side. It is on the instrumentation side which is where we took the Board and where we could see that we were adding more. What tends to happen Andy is that some of these really big customers have come to us and say, ‘Right, this particular part of the system doesn’t work quite so well. Can you re-engineer a solution?’ or ‘Can you combine more things into the system?’ More valves, electronics, more control and as we do that, we expand our share of wallet.

Andy Douglas: Understood. That is great. Thanks.

Roy Twite: Great, thanks.

Daniel Shook: Thanks Andy.

Roy Twite: Great, thanks everybody. Thanks for joining the call today. All of our focus now is obviously on closing out the year really well. As I said, I am really proud of the teams and what they are doing. We do expect to make further progress in 2024. Of course we are going to update you on that on 1st March once we have run through all our budgets and got a bit more visibility. I think the positives obviously are the Process Automation order book, the resilience in both Industrial Automation and Climate Control. Again, I am proud of what is happening there. Life Sciences clearly will come back at some point. Where exactly that point is, as Mark was trying to push me, I don’t think anybody is particularly sure, but the fundamental underlying drivers are good. Of course we have got more rationalisation benefits coming through next year on top of the £20 million this year, as you all know.

I just wish you all a great finish to the year and look forward to seeing you again early next year. Thank you.

[END OF TRANSCRIPT]